

Department of Finance Local Government Unit

Redevelopment Agency Dissolution
Update for Legislature

How Did We Get Here?

- \$5 Billion In Local Property Taxes Annually Was Being Diverted From Schools, Cities, Counties, And Special Districts To Redevelopment Agencies (RDAs) With Little To No Oversight
- The State Was Facing A Multi-Billion Dollar Budget Deficit And State General Fund Was Backfilling The Funding That Was Redirected From Schools
- Cities, Counties, And Special Districts Were Facing Declines In Services At The Local Level Due To The Great Recession
- RDAs Were Eliminated In Order to Protect Core Public Services, including But Not Limited To Fire And Police Services

How Did We Get Here?

Key Legislation And Events

- ABx1 26/27 Signed Into Law On June 28, 2011 (Effective Date)
 - ABx1 26 Dissolved RDAs And ABx1 27 Provided For An Alternative Voluntary Redevelopment Program
- *California Redevelopment Association v Matosantos*
 - Lawsuit Filed Directly with CA Supreme Court
 - ABx1 26 Ruled Constitutional and ABx1 27 Ruled Unconstitutional
 - RDAs Officially Dissolved as of February 1, 2012
- AB 1484 Signed Into Law On June 27, 2012 (Effective Date)
 - Clarified Existing Law And Put Into Place An Improved Structure To Manage The Winding Down Of Activities
- AB 471 Signed Into Law On February 18, 2014
 - Provides Further Clarification of Law

What Does Dissolution Involve?

Department of Finance's Responsibilities

- Bi-Annual Recognized Obligation Payment Schedules (ROPS) Reviews
- Housing Asset Transfers (HAT) Reviews
- Low/Mod Income Housing Fund & Other Funds And Accounts Due Diligence Reviews (DDR)
- Final And Conclusive Reviews
- Oversight Board (OB) Action Reviews
- Finding Of Completion (FOC) Issuances
- Long-Range Property Management Plan Reviews

State Controller's Office Responsibilities

- Asset Transfer Reviews
- Insufficiency Reviews

County Auditor-Controller's Responsibilities

- Distributes Funding for Successor Agencies To Pay Enforceable Obligations
- Distributes Residual Funding To The Affected Taxing Entities (ATE)
- Conduct Audits Of Each RDA In Their County To Determine Their Assets, Liabilities, Pass-Through Payments, And Total Indebtedness
- Calculate The July True Up Payments
- Insufficiency Reviews
- Audit Successor Agency Prior Period Adjustments & Review ROPS Funding Requests

What Are Finance's Goals And Objectives?

- Oversee The Expeditious Winding Down Of The State's Former Redevelopment Agencies
 - Protect Bond Holders
 - Protect Core Public Services Through The Proper Distribution Of Former Tax Increment To Local Taxing Entities
 - Minimize Litigation When Possible
- Develop Productive Working Relationships With Counties, Cities, Special Districts And Other Local Government Entities And Organizations
- Become Experts In Redevelopment Agency Operations And Finances To Improve Our Communication And Reviews With Local Governments Regarding The Dissolution Process

What Are The Fiscal Results From Dissolution?

Property Tax Returned To Counties, Cities, and Special Districts

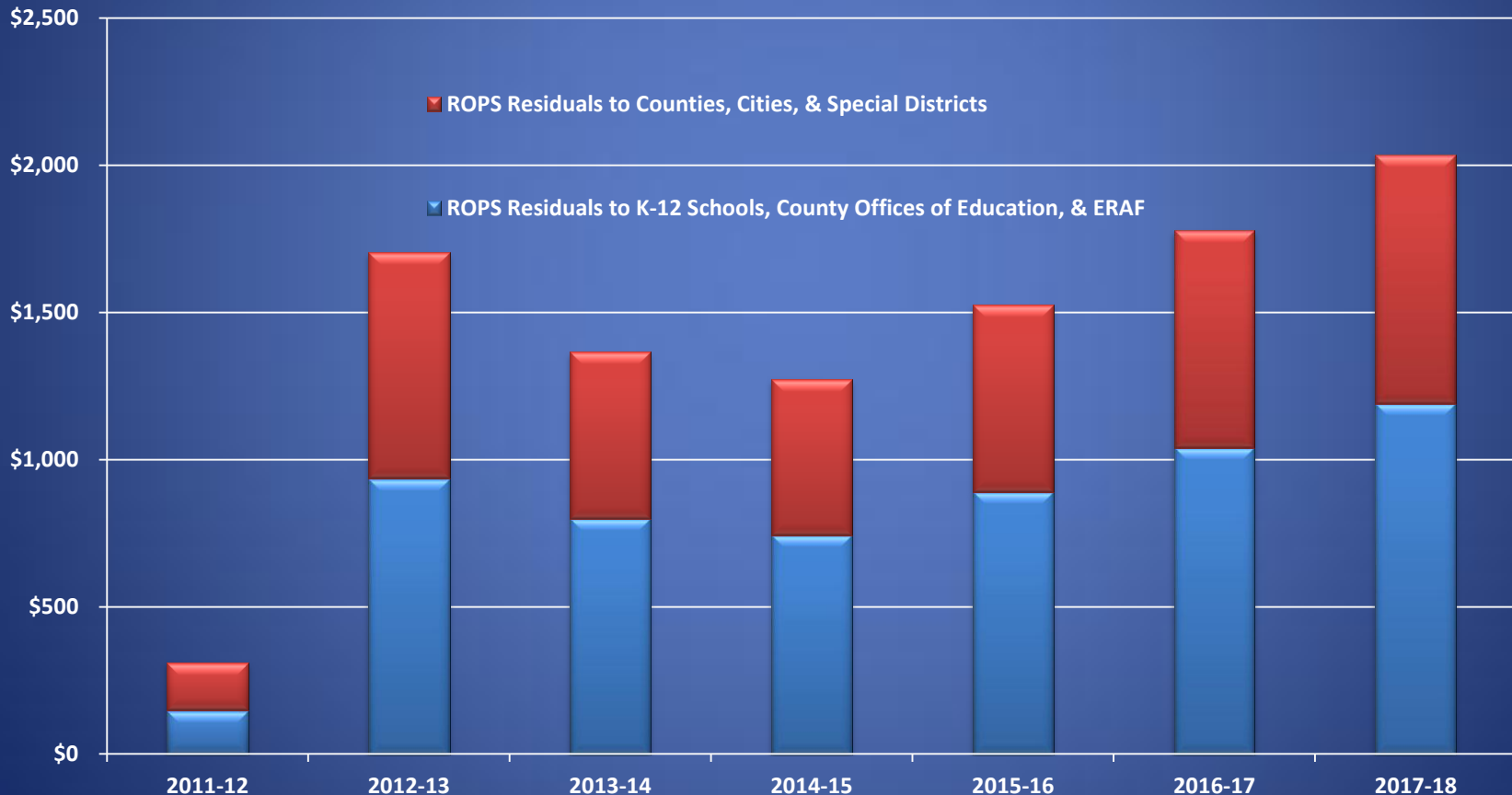
- Counties \$875 Million, Cities \$620 Million, & Special Districts \$310 Million Returned In 2011-12 & 2012-13
- Counties \$605 Million, Cities \$525 Million, & Special Districts \$205 Million Estimated To Be Returned in 2013-14 & 2014-15
- Ongoing It Is Estimated That More Than \$700 Million, Growing Each Year, Will Be Distributed To These ATEs Annually

Property Tax Returned To K-14 Schools, County Offices of Education, And ERAF

- \$2.2 Billion Returned In 2011-12 & 2012-13
- \$1.1 Billion Estimated To Be Returned In 2013-14 & 2014-15
- \$1.0 Billion, Growing Each Year, By 2016-17

What Are The Fiscal Results From Dissolution?

Ongoing ROPS Residuals To ATEs By Fiscal Year (Dollars in Millions)
(One-Time Monies From DDR Process Not Included)



What Has Been Accomplished?

Successor Agencies

- Started With 401 Successor Agencies
- Currently 385 Active Agencies
- 16 Have Been Completely Dissolved
- 4 More Will Dissolve This Calendar Year

July True Up Payments

- Only 4 Agencies Have Outstanding July True Up Payments
- All Other Agencies Have Paid The Correct Amounts Owed

Housing Asset Transfers

- 370 Reviews Completed
- 115 Meet And Confer Sessions Held
- Approximately 15 Agencies Did Not Have Housing Assets To Transfer

What Has Been Accomplished?

Due Diligence Reviews

- 375 Low/Mod Income Housing Fund DDRs Completed
 - 160 Meet And Confer Sessions Held
- 374 Other Funds And Accounts DDRs Completed
 - 240 Meet And Confer Sessions Held
- 11 Active Agencies Have Yet To Finish The DDR Process

Final And Conclusive Reviews

- 40 Requests Have Been Received
- 25 Approvals To Date

Oversight Board Actions

- Approximately 1,500 Actions Have Been Reviewed

What Has Been Accomplished?

Recognized Obligation Payment Schedules (ROPS)

- 5 ROPS Cycles Have Been Completed
- 550 Meet And Confer Sessions Have Been Held
- 6th Review Cycle Begins March 1, 2014

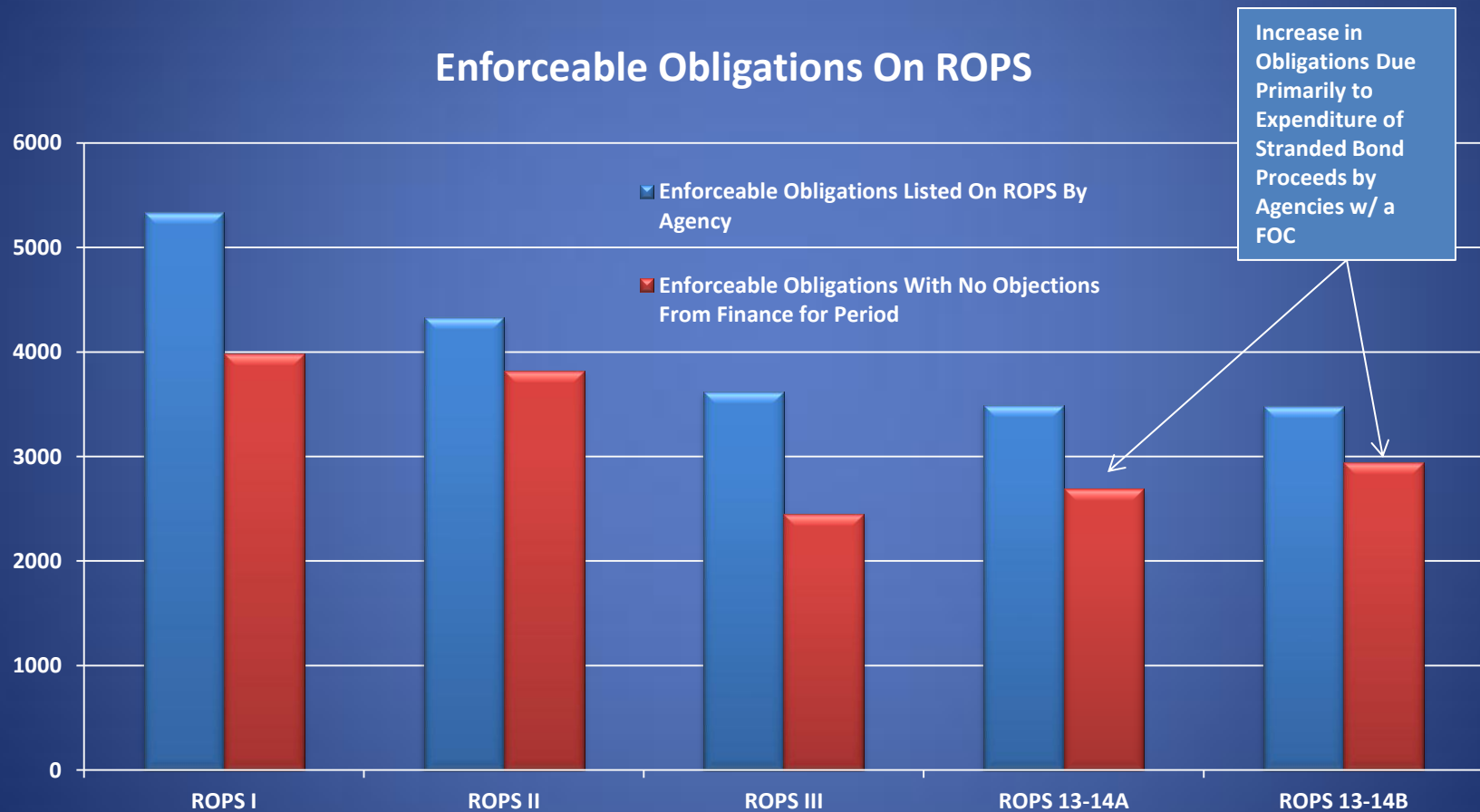
Finding Of Completions

- 302 Finding Of Completions Have Been Issued
- 72 Agencies Have Not Paid Their DDR Amounts
- 11 Agencies Have Not Completed The DDR Process

Long-Range Property Management Plans

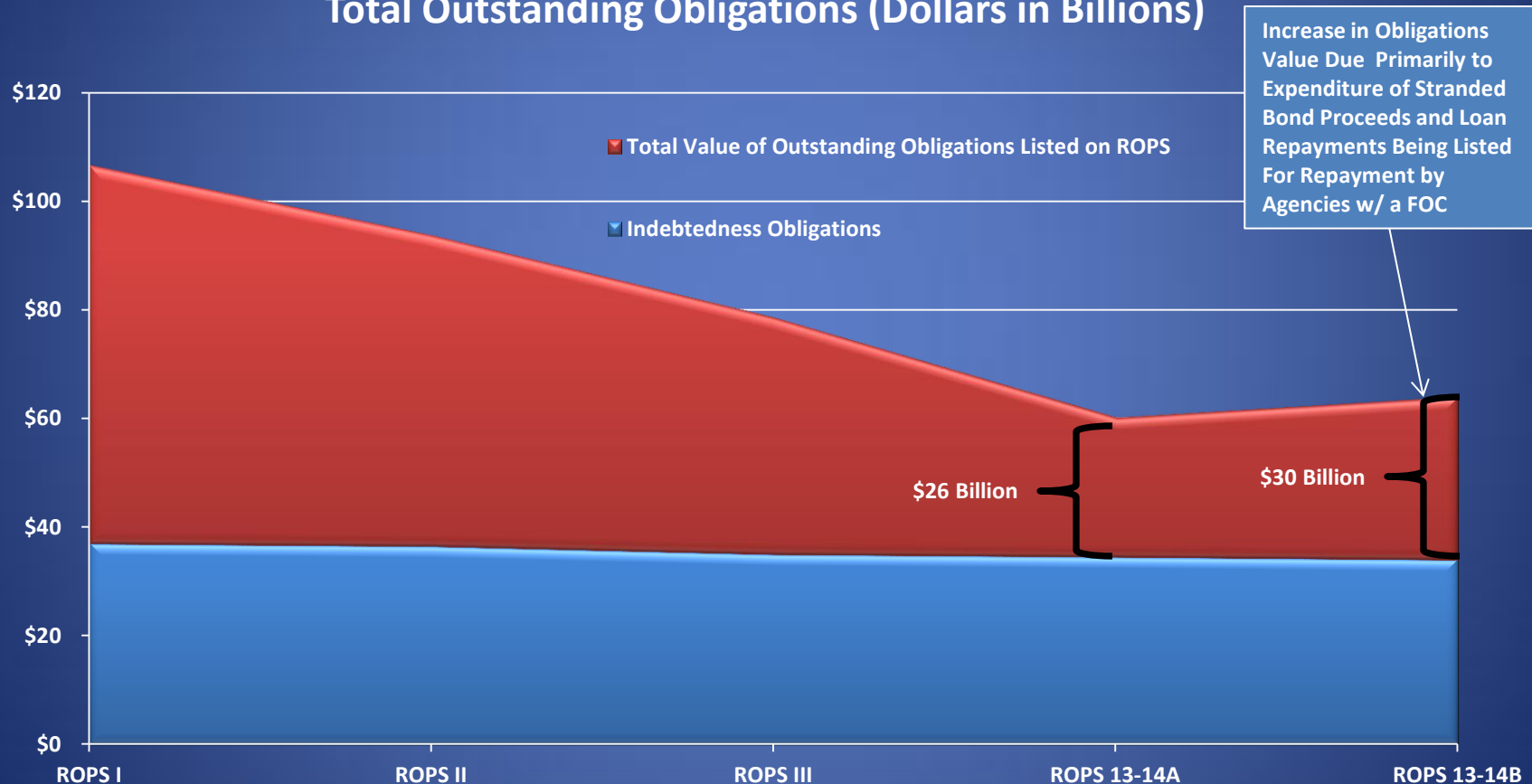
- Plans Submitted Within 6 Months Of Receiving Their Finding Of Completion
- 230 Plans Have Been Submitted
- 90 Plans Have Been Approved
- December 31, 2014 Is Deadline To Complete Reviews

Are Agencies Winding Down?



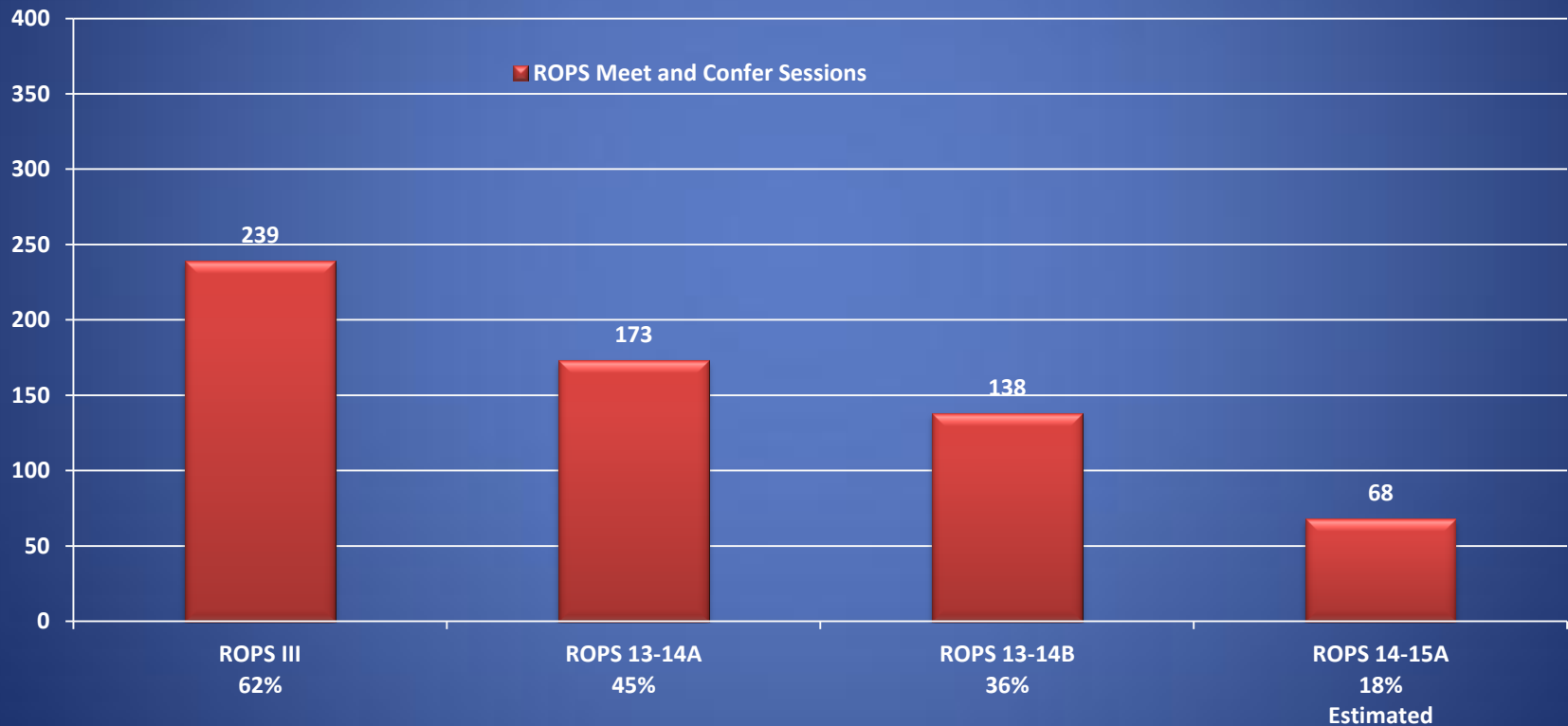
Are Agencies Winding Down?

Total Outstanding Obligations (Dollars in Billions)



Are Agencies Winding Down?

ROPS Meet and Confer Sessions Held



What Still Needs To Be Done?

ROPS Reviews Need To Continue, But Will Become More Routine

- Complete Review Of All Existing Obligations Listed On A ROPS (ROPS 14-15B Period)
- Review To Ensure Amount Requested Ties To Enforceable Obligation Requirements
- New Items Continue to Be Added To ROPS for Review (City/RDA Loans, Etc...)
- Fund Balances Need To Be Reconciled For Bond Proceeds And Other Annual Receipts That Were Ordered Returned To The Agency By Finance Or The SCO
- Ensure Other Funds Are Used Before Requesting Property Tax (RPTTF) To Pay Enforceable Obligations
- Work To Streamline Process For Agencies Via Automation

Property Plans, Final/Conclusive, and OB Action Reviews

- Priority One Is To Finish Review Of Those Property Plans Submitted On Time
- Complete Review Of Final And Conclusive Requests As They Come In
- Continue Reviewing OB Actions To Ensure Compliance With Statutes
- Assist Agencies With Bond Refinancing

When Will Dissolution End?

- An Agency Shall Cease To Exist Once All Of Their Obligations Have Been Paid And They Have Disposed Of All Of Their Assets
- Many Agencies Will Exist For Decades
 - They Have Long-Term Enforceable Obligations
 - They Have Debt Service That Extends Out For 30 Years
 - City/RDA Loans Are Only Now Getting Repaid
- However, Changes Can Be Made To Streamline Process In The Future Once A Single County Oversight Board Takes Over in 2016
 - In Spring 2015 Stakeholder Talks Begin About Revising The ROPS Process
 - Clarify County Auditor-Controller Responsibilities In The Future

What Is The Status of Litigation?

Sacramento Superior Court

- 181 Suits Have Been Filed Since Passage Of ABx1 26/27
- 82 Cases With Ruling In Favor Of The State (Writs Denied, Favorable Tentative Decisions, Case Dismissed, Stipulated Judgments Initiated by State, & Settlements With Terms Favorable To The State)
- 5 Cases With Partial Ruling In Favor Of The State
- 6 Cases With Ruling Against The State (Writs Granted /Tentative Decisions Against The State)
- 49 Active Cases Pending Hearing In Superior Court (Primarily DDR And Enforceable Obligation Cases)
- 39 Cases Have Been Filed But Are Not Considered Active (No Hearing Date Has Been Set)

Key Cases

- Bellflower (SUT Withhold Is Constitutional)
- League Of California Cities (SUT Withhold Is Unconstitutional)
- Brentwood & Foster City (DDR Claw-Back As Applied To The Facts In These Cases Violates Prop 22 And Is Unconstitutional)
- Watsonville & Cuenca (DDR Claw-Back As Applied To The Facts In These Cases Does Not Violate Prop 22 And Is Constitutional)

Appeals Court (All But 1 Case In 3rd District)

- 16 Cases Are Currently On Appeal

What Is The Impact Of The Litigation?

What Controls

- Superior Court Cases Are Not Precedential
- Appellate Court Has Not Ruled On Any Case Yet

Sales And Use Tax Not Pursued At This Time

- Pending Resolution Of The League And Bellflower Case At The Appellate Court Finance Is Unable To Use This Remedy
- However, Property Tax Withhold Is Still Occurring If Funding Is At The Agency

Fiscal Risk Associated With Prop 22 Rulings (For State And ATEs)

- Depending On Scope Of A Final Ruling (Brentwood And Foster City Decisions Are Tentative), Up To \$3.4 Billion In Asset Transfers Could Be In Jeopardy

Appearances Are Not Always What They Seem

- Despite 181 Suits Filed, It Is A Mere Fraction Of Total Decisions
- Approximately 15,000 Determinations Have Been Made On the HATs, DDRs, OB Actions, F&C Requests, & ROPS
- Litigation Is Only Contesting Approximately 1 Percent Of Our Determinations

Questions & Answers